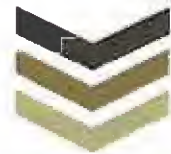




# BUDGET 2017-2020



**Kou-kamma  
Municipality (EC109)**

Copies of this document can be viewed:

- All satellite offices and public libraries with the municipality
- At [www.koukammamunicipality.gov.za](http://www.koukammamunicipality.gov.za)

# Table of Contents

<b>Part 1- Annual Budget .....</b>	<b>2</b>
1.1 Mayor's Report.....	2
1.2 Council Resolutions.....	3
1.3 Executive Summary .....	5
1.3.1 Overview of the annual budget process.....	8
1.3.2 Overview of budget related- policies .....	8
1.3.3 Overview of budget assumptions.....	8
1.4 Operating Revenue Framework.....	11
1.5 Operating Expenditure Framework.....	15
1.6 Capital Expenditure.....	18
 <b>Part 2: Supporting Documentation.....</b>	<b>20</b>
2. Municipal Manager's quality certificate.....	23
 <b>Annexure A: A-Schedule v2.8 (2013/14-2016/17)</b>	
<b>Annexure B: A-Schedule v6.1 (2017/18-2019/20)</b>	
<b>Annexure C: Budget related policies</b>	
<b>Annexure D: Tariff book 2017/18</b>	
<b>Annexure E: Service level standard</b>	

## **Part 1- Annual Budget**

### **1.1 Mayor's Report**

*To be inserted after council meeting*

**THE MAYOR  
COUNCILLOR S VUSO**

## **1.2 Council Resolutions**

On the 30<sup>th</sup> March 2017 the Council of Kou-kamma Local Municipality will meet in Kareedouw, to consider the approval of the Draft Annual budget of the municipality for the financial year 2017/18 MTREF. It is recommended that Council approves and adopts the following resolutions:

1. The Council of Kou-kamma Local Municipality, acting in terms of Section 24 of the Municipal Finance Management Act (Act 56 of 2003) approves:
  - 1.1. The Draft Annual Budget of the municipality for the financial year 2017/18 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance(revenue and expenditure by standard classification);
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote)
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
    - 1.1.4. Multi-year and single-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/ accumulated surplus, asset management and basic service delivery targets are approved as set out in the following table:
    - 1.2.1. Budgeted Financial Position;
    - 1.2.2. Budgeted Cash Flows
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation;
    - 1.2.4. Asset management; and
    - 1.2.5. Basic service delivery measurement.
2. The Council of Kou-kamma Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act, (Act 32 of 2000) approves:
  - 2.1. The property rates tariffs- as set out in Annexure D,
  - 2.2. The tariffs for electricity- as set out in Annexure D
  - 2.3. The tariffs for Sanitation-as set out in Annexure D
  - 2.4. The tariffs for refuse- as set out in Annexure D and
  - 2.5. Any other municipal tariffs as set out in the Tariff book

3. The Council of Kou-kamma, acting in terms of Section 75A of Local Government: Municipal Systems Act (Act 32 of 2000) approves the tariffs for other services, as set out in Annexure C.
4. For Council to adopt the Service Level Standards as required by the National Treasury in MFMA Circular 78.

### 1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Section 21 of the Municipal Finance Management Act deals with Municipal Budgets and describes the entire budgeting process. The Mayor is tasked with the co-ordinating the processes for preparing the budget, reviewing the Integrated Development Plan (IDP) and budget related policies. The Accounting Officer, as per Section 68 of the MFMA, is required to assist the Mayor in developing and implementing the budgetary process.

Great emphasis was placed in ensuring that the budget is realistically funded. A complete analysis of the various financial scenarios and outcomes was done and the best viable solution sought.

In addition to the budget, an amendment to the Municipal Systems Act (MSA) and Chapter 4 of the MFMA require that the Integrated Development Plan (IDP) be adopted at the same time of adopting the budget. The IDP informs the budget and their simultaneous adoption will ensure that the budget is properly aligned to the IDP and ensure that planned projects are credible and that the budgets are realistic and implementable. The budget was drafted in conjunction with the IDP.

Furthermore, the National Treasury has regulated a Municipal Standard Chart of Accounts, which is effective from 01 July 2017. This requires all municipalities and municipal entities to transact live on the new chart of accounts. It is therefore a requirement that the Draft budget be Mscoa compliant.

The annual budget was prepared in accordance to the National Treasury's content and format as contained in Circular 85 & 86. The two concepts considered were:

- 1) That the budget must be funded according to Section 18 of the MFMA(as mentioned above), and
- 2) That the budget must be credible.

A credible budget is described as one that:

- Funds only activities consistent with the draft IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality.
- Is achievable in terms of agreed service delivery and performance targets.
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions.
- Does not jeopardise the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds are transferred from low-to high- priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have items'.

The Municipality has embarked on implementing a range of revenue collection strategies to optimise the collection of debt owed by consumers. The Municipality has also adopted a conservative approach when projecting its expected revenue and cash receipts.

The main challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy
- Aging and poorly maintained roads and electricity and water infrastructure.
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality'
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents,
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Availability of affordable capital/borrowing.
- Low collection rates and
- Cash flow challenges

The following budget principles and guidelines directly informed the compilation of the 2017/18 MTREF:

- The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget adopted as upper limits for new baselines for the 2017/18 and annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs.
- There will be no budget allocated to National and Provincial funded projects unless the necessary grants to the municipality are reflected in the National and Provincial budget and have been gazetted as required by the annual Division of Revenue Act (DoRA) or MTBPS.

**Table 1 Consolidated Overview of the 2017/18 MTREF**

DESCRIPTION	2016/17	2017/18	Budget year +1	Budget year +2
	ADJUSTMENTS BUDGET		2018/19	2019/20
Operational Income	-141 645 089.60	-171 949 030.37	-163 011 674.73	-175 901 935.77
Operational Expenditure	140 657 427.51	165 384 004.08	175 191 094.14	186 208 034.66
Capital Expenditure	23 156 670.35	30 120 600.00	11 926 072.00	15 149 300.03
(SURPLUS) / DEFICIT	<b>22 169 008.26</b>	<b>23 555 573.71</b>	<b>24 105 491.41</b>	<b>25 455 398.93</b>
Depreciation	22 169 008.26	23 555 573.71	24 105 491.41	25 455 398.93
<b>NET (SURPLUS) / DEFICIT</b>	-	-	-	-

Total operating revenue has decreased by 21.0 per cent or R30 303 million for the 2017/18 financial year compared to the 2016/17 Adjustments Budget. This is mainly due to the fact that the municipality has compiled a project based budget, which includes both direct and indirect transfers. For the two outer years, operational revenue for rates and services will increase by 0.57 % and 0.56 % respectively.

Total operating expenditure for the 2017/18 financial year has increased by R24 707 million or 18.0 per cent, when compared to the 2016/17 Adjustments Budget. For the two outer years, operational expenditure will increase by 0.57% and 0.56 % respectively.



### **1.3.1 Overview of the annual budget process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations (MBRR) states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the Act.

### **1.3.2 Overview of budget related- policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The following draft budget policies will be tabled for consideration with the draft budget:

- Supply chain management
- Credit Control and Debt Collection
- Indigent Support
- Rates
- Write off
- Tariff
- Virement

### **1.3.3 Overview of budget assumptions**

#### **1.3.3.1 External factors**

Due to the slowdown of the economy, compounded by the geographical area of the municipality; financial resources are limited as a result of slow/no economic growth, this therefore reduces payment levels by consumers. The high levels of unemployment, resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### **1.3.3.2 General Inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2017/18 MTERF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses.
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration.

### **1.3.3.3 Collection rate for revenue services**

The current collection rate of the municipality is below 50%, this necessitates aggressive revenue enhancement strategies. Therefore base assumption is that tariff and rating increases will increase at the same rate as CPI.

As part of the revenue enhancement strategies to be implemented, an action plan is developed by the finance department to address the low collection rate. In addition to these initiatives, there are various investments within the LED section, which prime focus will be on job creation, this is critical as high income will assist with the decrease in the indigent book and increase in the collection rate of the municipality.

### **1.3.3.4 Salary increases**

In accordance with the guidance in the MFMA circular 86 as the Salary wage agreement that was signed, salaries were adjusted by CPI plus 1%. An additional 1% was including accounting for salary notch increases.

### **1.3.3.5 Impact of national, provincial and local policies**

In compilation of the budget for 2017/18, cognisance was taken of Provincial and National strategies.

#### **1.3.3.6 Ability of the municipality to spend and deliver on the programmes**

It is estimated that a spending rate of at least 73.7 per cent is achieved on Operating expenditure and 70 per cent on the Capital Programme for the 2016/17 of which performance has been factored into the cash flow budget.

This basis has thus been used as a benchmark for the 2017/18 annual budget.

#### **1.3.3.7 Cost containment**

Due to cash flow constraints within the municipality, operational costs are kept at a minimum. Officials do not make use of air transport and workshops, trainings and other events are not attended, unless special permission is granted by the Municipal Manager. All Travel and subsistence claims, must be accompanied by a pre-approval (trip authority) as well as a memo directed to the CFO as to why an official attended a specific event. Telephone usage has ~~set~~ limits per employees and no colour printing is made use of.

## 1.4 Operating Revenue Framework

For Kou-kamma to continue improving the quality of services provided to its community it needs to generate the required revenue. The municipality is currently faced with a collection rate of <50%, in these tough economic times strong revenue management is fundamental. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/ calculating the revenue requirement of each service;
- The municipality's Property Rates Act, 2004 (Act No. 6 of 2004) (MPRA) and amendment of 2014.
- Increase ability to extend new services and recover costs.
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff Policies of the Municipality.

**Table 2 Summary of revenue classified by main revenue source**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Revenue By Source</b>											
Property rates	2	-	-	-	-	-	-	-	19 294	20 393	21 535
Service charges - electricity revenue	2	-	-	-	-	-	-	-	2 494	2 636	2 784
Service charges - water revenue	2	-	-	-	-	-	-	-	13 202	13 954	14 735
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	8 459	8 941	9 442
Service charges - refuse revenue	2	-	-	-	-	-	-	-	4 417	4 669	4 930
Service charges - other									-	-	-
Rental of facilities and equipment									372	393	415
Interest earned - external investments									35	37	39
Interest earned - outstanding debtors									9 457	10 000	10 560
Dividends received									-	-	-
Fines, penalties and forfeits									3 000	3 171	3 349
Licences and permits									32	34	36
Agency services									7 543	7 973	8 420
Transfers and subsidies									47 196	47 557	50 505
Other revenue	2	-	-	-	-	-	-	-	28 356	17 003	19 094
Gains on disposal of PPE									75	79	84
<b>Total Revenue (excluding capital transfers and contributions)</b>		-	-	-	-	-	-	-	143 935	136 841	145 927

In line with the formats prescribed by the Municipal Budget and Reporting Regulations (MBRR), capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of operating surplus/deficit.

As the municipality is largely grant dependant, most revenue is from the National government, comprising of 41.2 per cent. All income from these grants has been gazetted as part of the Division of revenue act. Secondly revenue generated from rates and services charges also forms a significant percentage of the revenue basket. In the 2017/18 financial year, revenue from services charges is estimated to total R28 572 million and property rates at R19 294 million.

The other item contributing to revenue is "other income" which consists of various items such as income received from permits and licences, building plan fees, connection fees, rental of facilities and other sundry income. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

**Table 3 Operating and Capital Grants Receipts**

<u>Grants</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
<b><u>Capital</u></b>			
<b>Direct</b>			
MIG	15 592 000.00	16 249 000.00	16 942 000.00
INEP	3 000 000.00	4 000 000.00	10 000 000.00
Sarah Baartman	2 500 000.00	-	-
<b>Indirect</b>			
RBIG	5 000 000.00	4 000 000.00	1 000 000.00
INEP	1 922 000.00	1 922 000.00	2 033 000.00
	<b>28 014 000.00</b>	<b>26 171 000.00</b>	<b>29 975 000.00</b>
<b><u>Operational</u></b>			
Equitable share	42 375 000.00	45 402 000.00	48 090 000.00
FMG	1 900 000.00	2 155 000.00	2 415 000.00
DSRAC	932 000.00	-	-
Enviromental health	989 000.00	-	-
EPWP	1 000 000.00	-	-
	<b>47 196 000.00</b>	<b>47 557 000.00</b>	<b>50 505 000.00</b>
<b>Total</b>	<b>R 75 210 000.00</b>	<b>R 73 728 000.00</b>	<b>R 80 480 000.00</b>

*Application has been made to DWAF for R10.61 million, still pending approval*

As indicated in the table above, is a breakdown of both capital and operational grants to be received in the 2017/18 MTREF. The funding from RBIG will be utilised towards Misgund bulk water supply and the R2.5 million from the Sarah Baartman District is related to vehicles that will be donated to the municipality.

#### **1.4.1 Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the ratio for the non-residential categories, Public Service Infrastructure and agricultural properties relative to residential properties to be 0.251:1. The implementation of these

regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

In terms of the Municipal Property Rates Act, property valuations need to be assessed every four years for inclusion in the General Valuation Roll. The municipality has an updated valuation roll; however a supplementary valuation will have to be completed.

**Table 4 Comparison of proposed rates to be levied for the 2015/16 financial year**  
*Tariffs are attached as a separate appendix to the report.*

#### **1.4.2 Sale of Electricity and Impact of Tariff Increases**

During the 2015/16 budget process, the decision was taken concluded that the step- tariff structure will need to be implemented; an application in this regard was made to NERSA. The decision was kept constant for the 2016/17 financial year. Registered indigents will again be granted 50 kWh per 30 day period free of charge.

The following tables show the proposed changes to the current tariff structure:

**Table 4: Tariff structure (Electricity)**

<b>IBT Structure</b>	<b>2016/17</b>	<b>2017/18</b>
<b>Prices per cent (Excl VAT)</b>		
Block 1 (0 - 50Kwh)	R 0.85	R 0.86
Block 2 (51 - 350Kwh)	R 1.08	R 1.10
Block 3 (351 - 600Kwh)	R 1.61	R 1.55
Block 4 (>600Kwh)	R 1.95	R 1.82

With the above increases the aim is to both increase revenue and encourage consumers to use electricity wisely as our country's national grid is under severe pressure. No basic charge will be levied for electricity. These tariffs are in line with the guidelines as prescribed by NERSA, an application for approval has been submitted to the regulator.

## 1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- Balanced budget constrain (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit.
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the assets renewal and backlogs eradication.
- Operational gains and efficiencies will be directed to funding the capital budget and other core services, and

**Table 5 Summary of operating expenditure by standard classification item**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
<b>Expenditure By Type</b>											
Employee related costs	2	-	-	-	-	-	-	-	52 202	56 220	60 491
Remuneration of councillors									3 079	3 316	3 568
Debt impairment	3								30 193	31 914	33 702
Depreciation & asset impairment	2	-	-	-	-	-	-	-	23 555	24 105	25 455
Finance charges									1 200	1 268	1 339
Bulk purchases	2	-	-	-	-	-	-	-	4 803	5 077	5 361
Other materials	8								6 505	6 899	7 286
Contracted services		-	-	-	-	-	-	-	2 350	2 692	2 843
Transfers and subsidies		-	-	-	-	-	-	-	17 152	18 130	19 145
Other expenditure	4, 5	-	-	-	-	-	-	-	24 343	25 589	27 017
Loss on disposal of PPE											
<b>Total Expenditure</b>		-	-	-	-	-	-	-	165 384	175 191	186 208

The budgeted allocation for employee related costs for the 2017/18 financial year totals R52 202 million, which equals 31.6 per cent of the total operating expenditure. Circular 70 guidelines have been implemented with regards to the percentage of employee costs to operational expenditure is between 30-40%, the municipality is thus within these limits. Furthermore as per Circular 86, a guideline increase of CPI + 1% was proposed. In addition to this a further 1% was accounted for the salary notch increases.

The cost associated with the Remuneration of Councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of



Public Office Bearers Act, 1998 (Act 20 of 1998). Amounts paid to councillors are in line with these gazetted amounts.

The provision of debt impairment was determined based on an annual collection rate per services which is currently as follows:

- Property rates: 66.1%
- Sewerage: 10.3%
- Water: 22.7%
- Refuse: 10.8%
- Electricity: 13.4%

While the expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues. Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy.

Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R 23 555 million for the 2017/18 financial year and equate to 14.5 per cent of the total expenditure.

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increase of 0.31 per cent has been factored into the budget appropriations and directly informs the revenue provisions. The expenditures include distribution losses.

Other materials comprise of amongst others the purchase of materials for maintenance. In line with the Municipality's repairs and maintenance the expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure.

The following are the main expenditure categories for 2017/18 financial year:

- Employee related costs
- Remuneration of Councillors
- Debt impairment
- Depreciation and Asset Impairment
- Bulk Purchases
- Transfers and grants

### **1.5.1 Free Basic Services: Basic Welfare Package**

The welfare package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services that households are required to register in terms of the Municipality's Indigent Policy. An amount of R17 152 million has been allocated from the 2017/18 equitable share to provide relief to the indigent consumers. Taking cognizance of the plight of the poor and affordability of basic services, 6kl of free water and 50kwh of electricity per month, refuse, sanitation; grave site as well as rebates on rates is applicable.

## 1.6 Capital Expenditure

Capital expenditure for the next three years will be funded solely by Grants and other external fund sources. This is due to significant constraints of Council funds as highlighted in the sections above and the significant impact that the increase in the bulk electricity tariffs had on the cash flow of the municipality. The Capital Grants to be received are highlighted in the Executive Summary above.

**Table 6 Capital expenditure by standard classification**

Vote Description R thousand	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	-	-	-	-	-	-	2 611	1 713	1 809
Executive and council									20		
Finance and administration									2 591	1 713	1 809
Internal audit											
<b>Community and public safety</b>		-	-	-	-	-	-	-	9 506	-	-
Community and social services									7 606		
Sport and recreation											
Public safety									2 500		
Housing											
Health											
<b>Economic and environmental services</b>		-	-	-	-	-	-	-	-	-	-
Planning and development											
Road transport											
Environmental protection											
<b>Trading services</b>		-	-	-	-	-	-	-	18 004	10 213	13 340
Energy sources									4 922	5 922	12 033
Water management									12 932	4 132	1 140
Waste water management									150	159	167
Waste management											
<b>Other</b>											
<b>Total Capital Expenditure - Functional</b>	3	-	-	-	-	-	-	-	30 121	11 926	15 149
<b>Funded by:</b>											
National Government									24 659	10 054	13 173
Provincial Government											
District Municipality									2 500	-	-
Other transfers and grants											
Transfers recognised - capital	4	-	-	-	-	-	-	-	27 399	10 054	13 173
Public contributions & donations	5										
Borrowing	6										
Internally generated funds									2 761	1 872	1 977
<b>Total Capital Funding</b>	7	-	-	-	-	-	-	-	30 121	11 926	15 149

**Table 7 Capital expenditure by project**

<b><u>Project</u></b>	<b><u>Total Cost</u></b>
Misgund Bulk water	R 5 000 000.00
Louterwater water treatment works	R 6 306 778.70
Stormsriver replacement of water mains	R 1 500 000.00
Ravinia MPCC	R 164 414.24
Stormsriver Community hall and offices	R 6 841 207.06
Electrification	R 4 922 000.00

## Part 2: Supporting Documentation

**Table 1 MBRR Table A6- Budgeted Financial Position**

EC109 Kou-Kamma - Table A6 Budgeted Financial Position

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>											
<b>ASSETS</b>											
<b>Current assets</b>											
Cash									5 065	7 130	7 198
Call investment deposits	1	-	-	-	-	-	-	-	-	-	-
Consumer debtors	1	-	-	-	-	-	-	-	45 414	47 658	48 936
Other debtors									16 157	17 127	18 155
Current portion of long-term receivables									152	162	171
Inventory	2								418	443	469
<b>Total current assets</b>		-	-	-	-	-	-	-	68 206	72 519	74 929
<b>Non current assets</b>											
Long-term receivables											
Investments											
Investment property									26 973	28 592	30 307
Investment in Associate											
Property, plant and equipment	3	-	-	-	-	-	-	-	317 544	336 597	350 793
Agricultural											
Biological											
Intangible									253	266	284
Other non-current assets											
<b>Total non current assets</b>		-	-	-	-	-	-	-	344 770	365 456	387 384
<b>TOTAL ASSETS</b>		-	-	-	-	-	-	-	412 976	437 975	462 313
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1										
Borrowing	4	-	-	-	-	-	-	-	-	-	-
Consumer deposits											
Trade and other payables	4	-	-	-	-	-	-	-	13 239	15 833	18 583
Provisions									2 279	2 416	2 561
<b>Total current liabilities</b>		-	-	-	-	-	-	-	15 518	18 249	21 144
<b>Non current liabilities</b>											
Borrowing		-	-	-	-	-	-	-	-	-	-
Provisions		-	-	-	-	-	-	-	-	-	-
<b>Total non current liabilities</b>		-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>		-	-	-	-	-	-	-	15 518	18 249	21 144
<b>NET ASSETS</b>	5	-	-	-	-	-	-	-	397 460	419 726	441 169
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)									397 460	419 726	441 169
Reserves	4	-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	-	-	-	-	-	-	-	397 460	419 726	441 169

### Explanatory notes to Table A6- Budgeted Financial Position

1. Table A6 is consistent with International Standards of good financial management practice, and improves understandability for Councillors and management of the impact of the budget on the Statement of Financial Position (Balance Sheet).
2. This format of presenting the Statement of Financial Position is aligned to GRAP 1, which is generally aligned to the International version which presents Assets less Liabilities as "accounting" Community Wealth. The order of items within each group

illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table 14 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, Plant and Equipment;
  - Trade and other payables;
  - Provisions non-current;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the Community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 12 MBRR Table A7- Budgeted Cash Flow Statement**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
Receipts											
Property rates									13 505	14 275	15 075
Service charges									14 286	15 100	15 946
Other revenue									30 064	19 448	23 524
Government - operating	1								47 196	47 557	50 505
Government - capital	1								28 014	26 171	29 975
Interest									9 495	10 036	10 598
Dividends									-	-	-
Payments											
Suppliers and employees									(93 283)	(99 773)	(106 566)
Finance charges									(1 200)	(1 268)	(1 339)
Transfers and Grants	1								(18 352)	(19 398)	(20 485)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	-	-	-	-	-	-	28 728	12 149	17 232
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
Receipts											
Proceeds on disposal of PPE									-	-	-
Decrease (increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets									(30 121)	(11 926)	(15 149)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		-	-	-	-	-	-	-	(30 121)	(11 926)	(15 149)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
Receipts											
Short term loans									6 000	6 000	6 000
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing									(6 000)	(6 000)	(6 000)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		-	-	-	-	-	-	-	-	-	-
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		-	-	-	-	-	-	-	(393)	222	2 083
Cash/cash equivalents at the year begin:	2								1 001	606	828
Cash/cash equivalents at the year end:	2								606	828	2 911

**Explanatory notes to Table A7- Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash inflow versus cash out-flow that is likely to result from the implementation of the budget.



## **2. Municipal Manager's quality certificate**

I, **Thozamile Sompani**, Acting Municipal Manager of Kou-kamma Local Municipality, hereby certify that the 2017/18 Draft Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the Municipal Budget and Reporting Regulations, and that the Annual Budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

**Print Name: THOZAMILE SOMPANI**

**Signature** → 

**Date: 30 MARCH 2017**